

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Sherman	County Newaygo
Fiscal Year End March 31, 2008	Opinion Date August 5, 2008	Date Audit Report Submitted to State August 7, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

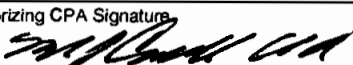
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 		Printed Name Mark J. Campbell	
		License Number 1101007803	

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

August 5, 2008

To the Township Board
Township of Sherman
Newaygo County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Sherman, Newaygo County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Sherman's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sherman, Newaygo County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Sherman covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$603,849.96 for governmental activities.

Overall revenues were \$361,425.30. Governmental activities had a \$137,519.05 increase in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, Road Fund, Capital Projects Fund and the Cemetery Fund.

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

CONDENSED FINANCIAL INFORMATION

For the year ended March 31, 2008

	<u>Total Governmental Activities 2008</u>
Current Assets	174 449
Capital Assets	<u>430 877</u>
Total Assets	<u>605 326</u>
Current Liabilities	1 476
Non-current Liabilities	<u>-</u>
Total Liabilities	<u>1 476</u>
Net Assets:	
Invested in Capital Assets	430 877
Unrestricted	<u>172 973</u>
Total Net Assets	<u><u>603 850</u></u>

	<u>Total Governmental Activities 2008</u>
Program Revenues:	
Fees and Charges for Services	126 344
General Revenues:	
Property Taxes	44 293
State Revenue Sharing	151 409
Interest	11 016
Miscellaneous	<u>28 363</u>
Total Revenues	<u>361 425</u>
Program Expenses:	
Legislative	10 466
General Government	89 486
Public Safety	55 294
Public Works	52 734
Recreation and Culture	1 535
Other	<u>14 391</u>
Total Expenses	<u>223 906</u>
Increase in Net Assets	137 519
Net Assets, April 1	<u>466 331</u>
Net Assets, March 31	<u><u>603 850</u></u>

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, Road Fund, Capital Projects Fund and Cemetery Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant was Fire Protection which incurred expenses of \$30,724.00.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$365,138.80 in capital assets this year.

The Township has no long-term debt at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township at P.O. Box 153 Fremont, MI 49412.

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	163 486 01
Taxes receivable	<u>10 962 78</u>
Total Current Assets	<u>174 448 79</u>
NON-CURRENT ASSETS:	
Capital Assets	460 550 80
Less: Accumulated Depreciation	<u>(29 674 09)</u>
Total Non-current Assets	<u>430 876 71</u>
TOTAL ASSETS	<u><u>605 325 50</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>1 475 54</u>
Total Current Liabilities	<u>1 475 54</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	430 876 71
Unrestricted	<u>172 973 25</u>
Total Net Assets	<u>603 849 96</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>605 325 50</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	10 465 81	-	(10 465 81)
General government	89 485 81	39 700 78	(49 785 03)
Public safety	55 294 21	41 873 69	(13 420 52)
Public works	52 734 54	44 770 00	(7 964 54)
Culture and recreation	1 534 69	-	(1 534 69)
Other	14 391 19	-	(14 391 19)
Total Governmental Activities	<u>223 906 25</u>	<u>126 344 47</u>	<u>(97 561 78)</u>
General Revenues:			
Property taxes			44 293 16
State revenue sharing			151 408 91
Interest			11 015 59
Miscellaneous			<u>28 363 17</u>
Total General Revenues			<u>235 080 83</u>
Change in net assets			137 519 05
Net assets, beginning of year			<u>466 330 91</u>
Net Assets, End of Year			<u>603 849 96</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS

March 31, 2008

	<u>General</u>	<u>Road</u>	<u>Capital Projects</u>
<u>Assets</u>			
Cash in bank	86 954 44	61 869 84	7 949 31
Taxes receivable	10 962 78	-	-
Due from other funds	5 131 09	-	-
	<u>103 048 31</u>	<u>61 869 84</u>	<u>7 949 31</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	1 475 54	-	-
Total liabilities	<u>1 475 54</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	101 572 77	61 869 84	7 949 31
Total fund equity	<u>101 572 77</u>	<u>61 869 84</u>	<u>7 949 31</u>
Total Liabilities and Fund Equity	<u>103 048 31</u>	<u>61 869 84</u>	<u>7 949 31</u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds (Cemetery)</u>	<u>Total</u>
1 581 33	158 354 92
-	10 962 78
-	5 131 09
<u>1 581 33</u>	<u>174 448 79</u>
-	1 475 54
-	1 475 54
1 581 33	172 973 25
1 581 33	172 973 25
<u>1 581 33</u>	<u>174 448 79</u>

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 172 973 25

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	460 550 80
Accumulated depreciation	<u>(29 674 09)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 603 849 96

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Road</u>	<u>Capital Projects</u>
Revenues:			
Property taxes	44 293 16	-	-
Licenses and permits	6 099 00	-	-
State revenue sharing	151 408 91	-	-
Charges for services - PTAF	22 712 30	-	-
Charges for services - cemetery	-	-	-
Interest	4 438 44	306 72	6 270 43
Special assessments	86 643 69	-	-
Miscellaneous	<u>24 389 67</u>	<u>-</u>	<u>3 973 50</u>
Total revenues	<u>339 985 17</u>	<u>306 72</u>	<u>10 243 93</u>
Expenditures:			
Legislative:			
Township Board	10 465 81	-	-
General government:			
Supervisor	8 731 00	-	-
Elections	1 773 27	-	-
Assessor	11 885 93	-	-
Clerk	8 603 33	-	-
Board of Review	2 034 83	-	-
Treasurer	22 785 07	-	-
Buildings and grounds	8 217 06	-	-
Cemetery	-	-	-
Unallocated	1 995 53	-	-
Public safety:			
Fire protection	30 724 00	-	-
Inspections	7 023 87	-	-
Planning and zoning	16 146 34	-	-
Public works:			
Highways and streets	15 890 15	35 343 91	-
Drains	1 233 81	-	-
Culture and recreation:			
Parks and recreation	1 534 69	-	-
Other:			
Insurance	7 201 00	-	-
Pension	7 190 19	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>365 138 80</u>
Total expenditures	<u>163 435 88</u>	<u>35 343 91</u>	<u>365 138 80</u>
Excess (deficiency) of revenues over expenditures	<u>176 549 29</u>	<u>(35 037 19)</u>	<u>(354 894 87)</u>
Other financing sources (uses):			
Operating transfers in	-	70 000 00	50 000 00
Operating transfers out	<u>(124 000 00)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(124 000 00)</u>	<u>70 000 00</u>	<u>50 000 00</u>

The accompanying notes are an integral part of these financial statements.

Other Funds (Cemetery)	Total
-	44 293 16
-	6 099 00
-	151 408 91
-	22 712 30
10 889 48	10 889 48
-	11 015 59
-	86 643 69
-	28 363 17
<u>10 889 48</u>	<u>361 425 30</u>
-	10 465 81
-	8 731 00
-	1 773 27
-	11 885 93
-	8 603 33
-	2 034 83
-	22 785 07
-	8 217 06
15 709 71	15 709 71
-	1 995 53
-	30 724 00
-	7 023 87
-	16 146 34
-	51 234 06
-	1 233 81
-	1 534 69
-	7 201 00
-	7 190 19
-	365 138 80
<u>15 709 71</u>	<u>579 628 30</u>
<u>(4 820 23)</u>	<u>(218 203 00)</u>
4 000 00	124 000 00
-	(124 000 00)
<u>4 000 00</u>	<u>-</u>

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Road</u>	<u>Capital Projects</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	52 549 29	34 962 81	(304 894 87)
Fund balances, April 1	<u>49 023 48</u>	<u>26 907 03</u>	<u>312 844 18</u>
Fund Balances, March 31	<u>101 572 77</u>	<u>61 869 84</u>	<u>7 949 31</u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds (Cemetery)</u>	<u>Total</u>
(820 23)	(218 203 00)
<u>2 401 56</u>	<u>391 176 25</u>
<u><u>1 581 33</u></u>	<u><u>172 973 25</u></u>

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (218 203 00)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(9 416 75)
Capital Outlay	<u>365 138 80</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>137 519 05</u></u>
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TOWNSHIP OF SHERMAN
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Sherman, Newaygo County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Sherman. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Fund

This fund is used to account for the acquisition or construction of major facilities other than those financed by propriety fund operations.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was .7949 mills, and the taxable value was \$55,731,019.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	30 - 50 years
Equipment	5 - 7 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>163 486 01</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 045 78
Uninsured and Uncollateralized	<u>97 525 06</u>
Total Deposits	<u>197 570 84</u>

The Township did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land	51 947 00	-	-	51 947 00
Buildings	23 865 00	365 138 80	-	389 003 80
Equipment	19 600 00	-	-	19 600 00
Total	95 412 00	365 138 80	-	460 550 80
Accumulated Depreciation	(20 257 34)	(9 416 75)	-	(29 674 09)
Net Capital Assets	<u>75 154 66</u>	<u>355 722 05</u>	<u>-</u>	<u>430 876 71</u>

Note 5 – Pension Plan

The township has a defined contribution pension plan covering substantially all full time employees. During the year ended March 31, 2008, the township contributed \$7,190.19 to the plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2008, the Township had building permit revenues of \$6,099.00 and building permit expenses of \$7,023.87.

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	5 131 09	Current Tax Collection	5 131 09
Total	<u>5 131 09</u>	Total	<u>5 131 09</u>

Note 10 – Transfers In and Transfers Out

For the fiscal year ended, March 31, 2008, the Township made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Capital Projects	50 000 00	General	50 000 00
Road	70 000 00	General	70 000 00
Cemetery	<u>4 000 00</u>	General	<u>4 000 00</u>
Total	<u>124 000 00</u>	Total	<u>124 000 00</u>

Note 11 – Contingent Liability

In November, 1978, the Township of Sherman and the City of White Cloud, Newaygo County, entered into an agreement with the County of Newaygo for the construction of a sanitary sewage disposal system. Construction of the system was financed by the issuance of \$1,605,000 County of Newaygo bonds, which principal and interest is to be paid by the White Cloud/Sherman Utilities Authority through the collection of individual user charges and/or an ad valorem tax levy. The bonds are contractually secured primarily by the full faith and credit of the Township and the City, based on a pro-rata allocation. Therefore, should collections of user charges or taxes be insufficient to repay the debt obligation, the Township's pro-rata share of the full faith and credit security was estimated to be approximately 75%. The Township anticipates the user charges and taxes will be sufficient to repay the debt obligation.

Note 12 – Budget Variances

During the fiscal year ended March 31, 2008, Township expenditures exceeded the budgeted amounts in several activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund:			
Activity:			
Supervisor	8 300 00	8 731 00	431 00
Assessor	9 800 00	11 885 93	2 085 93
Clerk	7 800 00	8 603 33	803 33
Board of Review	1 900 00	2 034 83	134 83
Treasurer	21 400 00	22 785 07	1 385 07
Fire protection	1 200 00	30 724 00	29 524 00
Inspectors	6 700 00	7 023 87	323 87
Planning and zoning	15 800 00	16 146 34	346 34
Highways and streets	-	15 890 15	15 890 15
Drains	-	1 233 81	1 233 81
Parks and recreation	1 500 00	1 534 69	34 69

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	85 700 00	58 850 00	44 293 16	(14 556 84)
License and permits	4 000 00	7 000 00	6 099 00	(901 00)
State revenue sharing	150 000 00	151 400 00	151 408 91	8 91
Charges for services - PTAF	-	20 000 00	22 712 30	2 712 30
Interest	5 000 00	1 900 00	4 438 44	2 538 44
Special assessments	5 000 00	10 500 00	86 643 69	76 143 69
Miscellaneous	8 300 00	13 800 00	24 389 67	10 589 67
Total revenues	258 000 00	263 450 00	339 985 17	76 535 17
Expenditures:				
Legislative:				
Township Board	25 000 00	25 000 00	10 465 81	(14 534 19)
General government:				
Supervisor	8 000 00	8 300 00	8 731 00	431 00
Elections	1 000 00	1 800 00	1 773 27	(26 73)
Assessor	12 000 00	9 800 00	11 885 93	2 085 93
Clerk	7 000 00	7 800 00	8 603 33	803 33
Board of Review	2 000 00	1 900 00	2 034 83	134 83
Treasurer	16 000 00	21 400 00	22 785 07	1 385 07
Building and grounds	4 000 00	8 300 00	8 217 06	(82 94)
Unallocated	17 500 00	18 450 00	1 995 53	(16 454 47)
Public safety:				
Fire protection	1 200 00	1 200 00	30 724 00	29 524 00
Inspectors	7 000 00	6 700 00	7 023 87	323 87
Planning and zoning	15 000 00	15 800 00	16 146 34	346 34
Public works:				
Highways and streets	-	-	15 890 15	15 890 15
Drains	-	-	1 233 81	1 233 81
Culture and recreation:				
Parks and recreation	2 300 00	1 500 00	1 534 69	34 69
Other functions:				
Insurance	8 000 00	7 205 00	7 201 00	(4 00)
Pension	7 000 00	7 195 00	7 190 19	(4 81)
Total expenditures	133 000 00	142 350 00	163 435 88	21 085 88
Excess (deficiency) of revenues over expenditures	125 000 00	121 100 00	176 549 29	55 449 29
Other financing sources (uses):				
Operating transfers out	(125 000 00)	(125 000 00)	(124 000 00)	1 000 00
Total other financing sources (uses)	(125 000 00)	(125 000 00)	(124 000 00)	1 000 00
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	(3 900 00)	52 549 29	56 449 29
Fund balance, April 1	-	3 900 00	49 023 48	45 123 48
Fund Balance, March 31	-	-	101 572 77	101 572 77

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROAD FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Interest	-	-	306 72	306 72
Miscellaneous	<u>73 000 00</u>	<u>73 000 00</u>	<u>-</u>	<u>(73 000 00)</u>
Total revenues	<u>73 000 00</u>	<u>73 000 00</u>	<u>306 72</u>	<u>(72 693 28)</u>
Expenditures:				
Public works:				
Highways and streets	<u>99 000 00</u>	<u>99 000 00</u>	<u>35 343 91</u>	<u>(63 656 09)</u>
Total expenditures	<u>99 000 00</u>	<u>99 000 00</u>	<u>35 343 91</u>	<u>(63 656 09)</u>
Excess (deficiency) of revenues over expenditures	<u>(26 000 00)</u>	<u>(26 000 00)</u>	<u>(35 037 19)</u>	<u>(9 037 19)</u>
Other financing sources (uses):				
Operating transfers in	<u>70 000 00</u>	<u>70 000 00</u>	<u>70 000 00</u>	<u>-</u>
Total other financing sources (uses)	<u>70 000 00</u>	<u>70 000 00</u>	<u>70 000 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	44 000 00	44 000 00	34 962 81	(9 037 19)
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>26 907 03</u>	<u>26 907 03</u>
Fund Balance, March 31	<u><u>44 000 00</u></u>	<u><u>44 000 00</u></u>	<u><u>61 869 84</u></u>	<u><u>17 869 84</u></u>

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>4 107 87</u>	<u>1 861 449 06</u>	<u>1 860 425 84</u>	<u>5 131 09</u>
<u>Liabilities</u>				
Due to other funds	4 107 87	147 372 83	146 349 61	5 131 09
Due to others	<u>-</u>	<u>1 714 076 23</u>	<u>1 714 076 23</u>	<u>-</u>
Total Liabilities	<u>4 107 87</u>	<u>1 861 449 06</u>	<u>1 860 425 84</u>	<u>5 131 09</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 5, 2008

To the Township Board
Township of Sherman
Newaygo County, Michigan

We have audited the financial statements of the Township of Sherman for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Sherman in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Sherman
Newaygo County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants